

Kosovo Agribusiness Development Program
Quarterly Report December 2000 – February 2001

Submitted by

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to

United States Agency for International Development

Contract Number
167-G-00-00-00001-00

March 2001

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Acronyms and Abbreviations

AFUP	Agricultural Faculty of the University of Prishtina
Assn	Associations
BP	Business Plan
CFA	Central Fiscal Authority
CORDAID	Catholic Organization for Relief and Development Aid
CPC	Crop Protection Chemical
EAR	European Agency for Reconstruction
EU	European Union
FFP	Food for Progress
FRY	Former Republic of Yugoslavia
FSLMU	Finance Service and Loan Management Unit
IFDC	International Fertilizer Development Center
ILO	International Labor Organization
IO	International organizations
KADP	Kosovo Agribusiness Development Program
KODAA	Kosovo Agri-Inputs Dealers Association
MEB	Micro-Enterprise Bank
mt	Metric ton
NGO	Nongovernmental Organization
PSES	Private Sector Extension Service
SHMK	Kosovo Flour Millers Association
SHPUK	Kosovo Poultry and Feed Millers Association
SME	Small and Medium Enterprises
STC	Short-Term Consultant
TTC	Technology Transfer Center
UNMIK	United Nations Mission in Kosovo
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
WB	World Bank
WFP	World Food Program
WTO	World Trade Organization

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Introduction

For consistency and ease of understanding, the Kosovo Agribusiness Development Program (KADP) quarterly reports largely follow the format of the work plan submitted to the United States Agency for International Development (USAID) in June 2000. Progress is reported for each of the six program areas (association development, policy analysis and implementation, private sector extension services, agro-processing and marketing, credit facilitation, and trade and procurement) and for two service areas (monitoring and evaluation, and media and publications).

Operations

Progress was made on several fronts in relation to staffing the project. A short-term consultant (STC), was hired to completed the development of the modular training manual. The long-term advisor for association development was identified and commenced work during this quarter. Progress was made in identifying a policy consultant who will provide leadership to the policy unit over the next couple of months. Additional policy consultants are being interviewed for specific activities e.g. customs duties and farm restructuring. Following this initial period of STCs, the expectation is that one of the consultants will be designated as the long-term policy advisor for the project. Unfortunately, the Kosovar administration manager engaged during the last quarter did not prove suitable for the position of deputy chief of party.

The intensive approach to staff training is bearing fruit and there has been a marked improvement this quarter in the skill levels of the local staff. Project staff provided training in computer skills and database management. Outsiders were engaged to provide training classes in English language, business plan preparation (organized by IOM of Italy with complementary follow-up training planned for the future in Italy), accountancy and financial planning (organized by Kosovo Business Services), and survey design and project monitoring.

Considerable progress has been made in association development, extension services, and the organization and structuring of policy activities. Progress was made in actual policy intervention, but credit facilitation continues to be constrained by the slow progress being made in establishing credit/financial institutions

Program Achievements

Trade Associations: Sustainability of the three trade associations remains a prime objective. During this quarter, STCs worked with the Executive Directors and Board members of the associations to strengthen the institutional structures. The plan is to form an umbrella trade association, which will become a national private-sector advocacy voice for agribusiness, and an

agribusiness management organization (AMC) that will provide or source business support services on a commercial basis. The blueprints for these organizations and draft business plans were presented to the Boards of Directors of the three trade associations and accepted in principle by them. Discussions were also held with other trade and producer associations to stimulate their interest in joining the apex association.

In addition, an STC produced a modular training manual for all association development work and re-wrote association by-laws to shape a more structured working environment. Membership continued to increase and reached 370 in total for the three associations. A start was also made to capitalize the trade associations by channeling all payments for services to the bank accounts of the individual associations. KODAA, for example, now has a bank balance of approximately DM 20,000.

At the beginning of the quarter, USAID agreed that a full-time association advisor should be appointed. IFDC recruited Dennis Zeedyk, who joined the project in February. Since his appointment, the Association Unit has worked closely with the Policy Unit and the associations' policy committees to develop a coordinated policy advocacy agenda.

Project accomplishments in the arena of trade development during the quarter included: the establishment of a commercial relationship between a SHMK member and two Italian poultry equipment manufacturers; a meeting of SHPUK members with the Nitropharma company in Greece to arrange contracts for the supply of feed concentrates; a trade delegation of 34 KODAA and SHPUK members attendance at the International Agricultural Trade Fair in Thessaloniki, Greece, where discussions were held with feed equipment manufacturers and feed milling companies and agricultural suppliers; a seminar presented by a Turkish flour milling equipment company, Alapa, for 25 SHMK members; and participation by KODAA members and staff in a seminar in Albania on potato export market potential. Some KODAA dealers finalized crop protection chemical (CPC) deals with Albanian distributors; others visited Macedonian agri-input suppliers. Several SHPUK members are in the final stages of contract signing with an Albanian supplier of chicken feed. In addition, contact was established with seven additional international suppliers of agricultural inputs.

Policy: IFDC continued the challenging search to locate a suitable long-term policy advisor willing to serve in Kosovo. Mr. Adrian Neal was appointed temporarily in early February as the acting policy advisor while other candidates for the position are being evaluated.

A joint policy committee has been formed between the project three associations and a farmers union in Gjakova. This is the first step towards the creation of an umbrella advocacy organization. This committee has set the following policy priorities:

1. Removal and/or lowering of customs duties.
2. Exemptions for sales tax and/VAT.
3. Improved access to affordable rural credit.
4. Commercialization/privatization of social and state-owned assets.
5. Improvements in quality standards and controls particularly for food imports and agricultural inputs.
6. Introduction of targeted subsidies.

The policy team also reviewed current issues with staff from the Customs authorities, Central Fiscal Authority (CFA), Department of Agriculture (Pillar II) and Pillar IV to determine the best approaches for the trade associations to adopt in their targeted advocacy to the UNMIK Joint Administration. Of particular importance is the requirement of the CFA for detailed financial and economic justifications for any policy changes. As a result, data collection, including detailed farm budget information and regional tax information has been systemized and accelerated.

A draft brief on farm restructuring and privatization has been prepared to guide policy analysis activities in this area. A STC will complete this task by early April.

To avoid duplication of effort with the capacity building program of DAFRD, the fertilizer regulatory STC was deferred. Our consultant will be completing this task under the FAO program later in the summer.

Private Sector Extension Services: The Survey and Monitoring Unit conducted a survey of media use and preferences by farmers. The association members and farmers were pleased with the project's current output of technical information brochures and plans for the preliminary association newsletter. Between 30% and 40% of farmers surveyed had heard of KADP project activities in Kosovo, indicating the success of the media campaigns.

The project disseminated German and Dutch potato variety test results and production information together with leaflets on the wheat variety trial results conducted in 2000. In addition, KODAA members prepared and distributed a package of best practices on new maize and potato varieties.

The first issue of a bi-monthly newsletter devoted to the project activities and technology transfer was completed and sent to the printers

Six demonstration fields for wheat have been set up and regularly maintained and recorded during the quarter. Agreements have been reached with Monsanto and Pioneer to promote agribusiness and new crop production technology by establishing field demonstrations with traditional and new crop varieties, training activities on updated technologies of crop cultivation, and study tours for KODAA members and KADP staff.

Credit Facilitation: The project staff monitored CORDAID credit recipients and organized joint meetings with the recipients and CORDAID officials. Two recipients have fully repaid their loans, but five have opted to reschedule their loans, and five have made no repayments since November. The project has urged CORAID to invoke the clauses in the contracts so to recoup funds from the five recalcitrants. Among the lessons from this experience are the need to pre-screen the recipients carefully, reinforce understanding and appreciation of the group indemnity responsibilities by the recipients, and arrange loan repayment schedules to accommodate seasonal agricultural cycles. Firm action is warranted, including expulsion from the trade association and seizure of assets to ensure that future contractual loan obligations are understood and met by recipients. Close coordination with CORDAID to resolve this issue will continue.

The project prepared 35 business plans for SHPUK members, of which 13 were recommended for CORDAID. CORDAID requested that two of the business plans be revised, but approved all the others subject to a satisfactory repayment of the Gjakova KODAA dealers' loans.

The World Bank credit unit approved a loan of DM 300,000 for a business plan submitted on behalf of a KODAA member for a field mushroom collection and processing enterprise. Two other business plans prepared for the World Bank credit unit on behalf of SHMK members are pending.

A list of 15 agribusiness enterprises has been submitted to Kosovo Business Services (KBS) for possible loans based on business plans developed with these clients. An agreement has been reached with KBS whereby KADP will identify clients and then monitor loan repayments.

Agro-Processing and Marketing: A STC from an Israeli firm visited poultry farms and processing plants in December on a cost share basis and made recommendations for re-establishing processing facilities. The recommendations were mainly aimed at state owned enterprises (SOE) and have not been acted on for the present. Activity on the seed industry assessment was suspended pending the outcome of the review by EAR/FAO consultants.

Leveraged Support and Cooperation

Despite IFDC urging, EAR funded urea was distributed without using an auction process. As expected problems were encountered. KODAA dealers and KADP staff were able to overcome shortcomings in the distribution plan to ensure that sufficient urea is available throughout Kosovo for winter wheat application and for use on summer crops. Surveys of the impact of the NPK fertilizer were conducted by the Agricultural Faculty of the University of Pristina (AFUP) on behalf of KADP.

EAR is distributing maize and potato seed through 13 existing seed dealers including KODAA members, other dealers, and agri-inputs cooperatives. In addition, sunflower seed has been delivered to the Ferazaj factory for distribution to their growers.

Because the requested Food For Progress (FFP) program for Kosovo has been delayed, the project made inquiries concerning an alternative supply plan for feed grain and supplements from the USDA shipment to FRY scheduled to begin in May/June 2001. KADP may be able to bid for some supplies on behalf of SHPUK. The grain supply for feed is now critical.

Pending Issues and Future Activities

A policy workshop will be held in Pristina to address regional experiences with tax and tariff policies for agricultural inputs and commodities. The aim is to engage the administration in

discussions with experienced policy experts from Kosovo and the region prior to implementation of a VAT as a replacement for the border tax. The project will contract an STC to work on privatization matters.

The project will take advantage of the scheduled trade association annual meetings and elections to discuss and ratify the development of an apex advocacy organization and an association business and management center. During the next quarter, trade missions are planned to Turkey, Austria, Slovenia and Hungary.

STCs will help the flour-milling sector to assess the viability of selected enterprises under the current and anticipated trade and taxation policies. Such analysis will assist members of SHMK to address the steps needed to rationalize their industry, which is faced with severe over-capacity.

At least three demonstration sites for spring crops will be initiated to complement the six wheat variety/fertilizer/ demonstrations already underway. Other extension activities include an STC on extension methods, participation for some dealers in a Polish extension training program, and a crop protection training seminar with international chemical companies in Macedonia. The bi-monthly association newsletter will commence in March. It will provide a regular means of communicating agribusiness issues to association members and their customers.

KADP Activities by Quarter
December 2000-February 2001

THIRD QUARTER ACTIVITIES	ACCOMPLISHMENTS
I. Association Development	
Training: Apex & Association Mgmt Center	<ul style="list-style-type: none"> • Sustainability and Apex Association format prepared by STC • Introductory seminars with Associations' Boards regarding Apex functions and modality • Discussions held with several other IO's/NGOs (eg. Inter-cooperation, Anadrini, ACDI/VOCA) and local Assns (eg Honey Producers, Livestock Producers, Cooperative League) to introduce concept of their programs joining Apex • Association training needs assessed by STC • Modular training manual prepared by STC; subsequent STC will be requested to expand and implement • Training of Association Executive Directors and Boards continues on regular and structured basis
Association Buisness Plan & Dues/Fees Structure completed for one association	<ul style="list-style-type: none"> • Sustainability proposal developed by STC for all 3 Associations, incorporating dues and non-dues revenue incomes; concept adopted by Associations • Additional training program for Association Executive Directors conducted on sustainability • All 3 associations have individual bank accounts with MEB • Membership dues and non-dues income (e.g. contributions by membership to attend trade missions) paid into Association accounts, thereby incorporating concept of "association capitalization"
Apex Development: orientation meeting / MOU	<ul style="list-style-type: none"> • Orientation meeting conducted • Preparing concept paper for discussion by Association membership and Boards • Preparing documentation for submission to UNMIK for registration
AMC Development: orientation meeting	<ul style="list-style-type: none"> • Orientation meeting conducted
Membership drive continues for 3 associations	<ul style="list-style-type: none"> • To date financial membership of each Assns as follows: <ul style="list-style-type: none"> • KODAA – 200 • SHPUK – 95 • SHMK – 75
II. Policy Analysis	
Rapid Appraisal: Comparative advantage in Seed	<ul style="list-style-type: none"> • Activity suspended pending EAR/FAO consultants recommendations and appointment of consultants to implement "DAFRD capacity building" program
Input Regulations: Seed	<ul style="list-style-type: none"> • Activity suspended – see above
Additional activities	<ul style="list-style-type: none"> • Policy unit has conducted several "roundtables" with Assn Boards to develop needs and priorities for policy advocacy and dialogue activities with governmental institutions
III. PSES	
POP: Potatoes and Maize	<ul style="list-style-type: none"> • MOU submitted to Monsanto and Pioneer for future co-operative activities (incl. Variety demos, trade/study missions, training seminars) • Package of practices developed for potatoes and maize and distributed to Assn members, progressive farmers and IOs/NGOs • Training seminars in Skopje in March with Pioneer/Dupont (seeds,

THIRD QUARTER ACTIVITIES	ACCOMPLISHMENTS
	<p>CPCs) and Aventis (CPCs) in final stages of preparation; expect 100 attendees</p> <ul style="list-style-type: none"> • Preparations underway for (at least) 3 demo sites with spring crops (maize, soybeans, beans, potatoes) and fertilizers and CPCs
Field demonstration at TTC for Wheat	<ul style="list-style-type: none"> • Six field demo sites (featuring 25 winter wheat varieties, modern fertilizer formulations and CPCs) introduced and implemented
Additional	<ul style="list-style-type: none"> • Discussions underway for STC input for training in Extension methodologies (May) and participation in extension training course in Poland (mid-year)
IV. Agro-processing & Marketing	
Industry analysis: Seed	<ul style="list-style-type: none"> • Activity suspended pending EAR/FAO consultants recommendations and appointment of consultants to implement “DAFRD capacity building” program
Critical client site visits continue (26)	<ul style="list-style-type: none"> • On-going
Technical assistance: STC's for flour milling, feed milling and poultry	<ul style="list-style-type: none"> • STC from Agridev (Israel) visited poultry farms in December and made recommendations on his concept for re-establishment of processing facilities • STC undertook analysis of flour milling industry in July 2000; recommendations were discussed with Association members during this quarter • Seminar conducted by representative from Alapala (Turkey) on milling equipment; follow-up visit planned for March
Technical assistance: Specialist for pesticide: sources, safety, use and regulations	<ul style="list-style-type: none"> • MOU submitted to Monsanto and Pioneer for future co-operative activities (incl. Variety demos, trade/study missions, training seminars) • Training seminars in Skopje in March with Pioneer/Dupont (seeds, CPCs) and Aventis (CPCs) in final stages of preparation; expect 100 attendees; need for specific health/safety/environment aspects of CPCs will be emphasized by presenters • Activity suspended pending EAR/FAO consultants recommendations and appointment of consultants to implement “DAFRD capacity building” program; this will include preparation of laws and regulations on seeds, fertilizers and CPCs
Commercial Training: 1 Trade Mission	<ul style="list-style-type: none"> • 34 KODAA, SHPUK and IFDC members attended “Agrotika” agricultural trade fair in Thessaloniki, Greece • Additional trade missions planned for Turkey (SHPUK – March); Austria (SHMK – April); Slovenia (KODAA – April); Hungary (KODAA – July)
V. Credit Facilitation	
Monitoring of loan repayments continues	<ul style="list-style-type: none"> • Ongoing;
BP preparation for 20 KODAA members	<ul style="list-style-type: none"> • Ongoing; list of 15 names provided to KBS for inclusion in their program based on IFDC's BP unit recommendations • 5 IFDC staff (BP unit staff and Assn Ex. Dirs.) attended training program at KBS on basic accounting and financial management concepts • discussions held with KBS regarding “training the trainers” seminars
Credit application for 20 SHPUK members; Financial counseling provided to 12 clients	<ul style="list-style-type: none"> • 35 BPs prepared for SHPUK members in Gjakova; 13 SHPUK members selected; dispersal of credit planned for March (once KODAA loan repaid) • 2 credit applications prepared by BP unit for 2 SHMK members and submitted to WB for consideration; result pending • credit application prepared by BP unit for KODAA member (wild/field

THIRD QUARTER ACTIVITIES	ACCOMPLISHMENTS
	<p>mushroom collection and processing) and submitted to WB for consideration; credit of 300,000DM approved by WB and funds will be dispersed in 4 tranches</p> <ul style="list-style-type: none"> BP unit has prepared detailed list of current and planned/potential credit/banking/financial institutions/facilities; information will be disseminated to Assn members via Assn magazine
CORDAID Reports due	<ul style="list-style-type: none"> Ongoing; final KODAA loan repayments scheduled for end Feb.; some loans rescheduled due to low business activity in summer 2000 due to widespread drought
VI. Trade & Procurement	
Training entrepreneurs on establishing international/regional linkages continues	<ul style="list-style-type: none"> Ongoing;
Establishing international/regional market connections with seed and CPC companies	<ul style="list-style-type: none"> procurement unit actively contacting regional/international suppliers of feed ingredients; agri-inputs and milling wheat; information regularly provided to Assn membership and will be published in Assn magazine several international seed and CPCs manufacturers/suppliers regularly contacted for price/supply updates Training/trade seminars in Skopje in March with Pioneer/Dupont (seeds, CPCs) and Aventis (CPCs) in final stages of preparation; expect 100 attendees Several trade missions and attendance at seminar/field days in Albania and FRYOM undertaken by KODAA and SHPUK members; several supply deals concluded for importation of seed potato, poultry feed, CPCs discussions on-going with USDA on IFDC's FFP submission discussions on-going with USDA on IFDC/Assn participation in monetizing of 50,000MT soybean meal for FRY
Regional trade mission/conference/fair	<ul style="list-style-type: none"> 34 KODAA, SHPUK and IFDC members attended "Agrotika" agricultural trade fair in Thessaloniki, Greece Additional trade missions planned for Turkey (SHPUK – March); Austria (SHMK – April); Slovenia (KODAA – April); Hungary (KODAA – July)
VII. Monitoring & Evaluation	
Input survey: % increase in input use	<ul style="list-style-type: none"> Undertaken by AFUP under MOU/subcontract with IFDC/EAR Farmer survey on their source of agricultural information and inputs completed
VIII. Media & Technical Publications	
KADP TV emissions	<ul style="list-style-type: none"> Close cooperation with all media groups maintained
Membership drive emissions	<ul style="list-style-type: none"> Undertaken as part of Assn media releases and EAR/IFDC fertilizer initiative
Media event coverage of association general meetings and Apex Council	<ul style="list-style-type: none"> First issue of bi-monthly Assn. newsletter ("Agrosfera") prepared; submitted to USAID for approval; publication and distribution by 10 March.